



# **Introductory Statement of Philip N. Diehl, Director of the United States Mint, for Presentation to the House Appropriations Subcommittee on Treasury, Postal Service, and General Government—February 24, 1999**

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Thank you, Mr. Chairman, Mr. Chairman, Mr. Hoyer, and distinguished Members of the Subcommittee:

It is an honor to be with you this morning to discuss the United States Mint's progress as a first class manufacturer and marketer of coins and an organization driven by a commitment to outstanding products and customer service.

During 1998, the Mint has continued to fulfill our Constitutional mission, while reducing costs, enhancing productivity, and earning higher profits for the American people. We are animated by a simple vision: that government can meet the highest standards of private sector performance. In 1998, Mr. Chairman, I'm proud to say we became America's premier "change agency."

Congress has given the Mint three primary missions: producing coins at sufficient levels to meet the daily needs of commerce, manufacturing and marketing a wide variety of numismatic and bullion products for sale worldwide, and protecting nearly \$100 billion in assets of the American people at Ft. Knox, Kentucky and elsewhere. Twenty-two hundred employees accomplish this mission each day in six states and the District of Columbia.

The Mint operates under a Public Enterprise Fund — without a penny of American tax dollars. Our operations are funded from the sale of circulating coins to Federal Reserve Banks and from the sale of numismatic and bullion products to coin collectors and investors worldwide. In recent years the Mint has consistently returned over a half-a-billion dollars in profits, derived from our numismatic sales and circulating coinage seigniorage, each year to the U.S. Treasury. Last year we did it again, with profits of \$593 million. And in 1999, and for the next decade, we expect our annual deposits to the Treasury to double as a result of strong public enthusiasm for the 50 State Quarters program.

In 1998 the Mint's Circulating Coinage Strategic Business Unit (SBU) shipped 16.5 billion coins for general circulation and returned \$562 million to the Treasury. Moreover, we demonstrated our commitment to outstanding customer service by marking the fifth consecutive year of filling all Federal Reserve Bank orders without exception totaling over 2000 orders and 15,000 coin shipments. As a result, the Federal Reserve has awarded us with at least 63% "excellent" or, "very good" ratings on our annual customer service survey.

In 1998 the Mint's Numismatic SBU sold over 15 million numismatic products and produced an operating profit of \$22 million. On December 7, 1998 the Mint launched its biggest numismatic venture ever: the 50 State Quarters program. The program will run for the next ten years and commemorate the rich history of every state in the Union, five new State quarters each year for the life of the program. The first of these, the Delaware quarter, has already entered the marketplace, and as a result of our combined efforts with the Federal Reserve, is one of the fastest coins to reach general circulation in Mint history.

In 1998 the Mint's Protection SBU ensured the safety and security of 2,200 Mint employees, nearly a million visitors, more than \$1 billion in circulating coinage, and nearly \$100 billion of the American people's bullion reserves. In my statement before this committee two years ago, I said, "they achieve their mission when we are able to report that nothing interesting happened in their field of responsibility." Once again, I am proud to say that nothing interesting happened in 1998.

I'm coming before this Subcommittee today at the end of my five-year term as the Director of the United States Mint. Therefore today I will briefly review the record of our accomplishments since 1994, describe where we are now, and end with a look at the challenges ahead.

Our Record Since 1994

On May 6, 1994, during my confirmation hearing I laid out four priorities that I believed would allow the Mint to enter the next millennium as a model government agency. They focused on sound financial management, ending the proliferation of commemorative coin programs, making the Mint a modern manufacturing organization, and securing our current customer base while expanding coin collecting into new demographic markets. There were two key strategies that the Mint adopted, and continues to utilize, in order to turn these goals into initiatives, and those initiatives into reality. The first is a strong relationship with the Congress. Without your support, Mr. Kolbe and Mr. Hoyer, many of our signature accomplishments that I will discuss today would not have been possible. The second is a strong strategic plan, one of the best in government, which lays out the road map of our future. I would like to briefly provide updates on each of these four priorities.

### Financial Management

In 1994 I stated that my first priority would be to, “implement an aggressive schedule of financial management improvements that will lay the foundation for the Mint to receive a clean audit within two years.” This goal was reached in half that time, and the Mint has received clean audit reports each year since then. During this period we have also reduced our material weaknesses from seven to one. When the benefits of our new Consolidated Information System, COINS, are fully realized later this year, we will remove our final material weakness. Five years ago we struggled to close our books within 90 days at the end of each quarter. In 1999 we will do it in ten days.

### Historical Proliferation of Commemorative Coin Programs

Since the production of commemorative coins was resumed in 1982, after nearly a thirty-year hiatus, numismatists rightly complained that Congress was authorizing too many commemorative coins and flooding the market with weak commemorative themes. In 1996, with the Mint’s support, Congress passed the United States Commemorative Coin Act. This act imposes strict limitations on commemorative programs and strong accountability measures on the beneficiaries of these programs, and with time, will rectify the problems associated with the proliferation of commemorative coin programs. For the period 1997 to 1999, the number of commemorative coins authorized by Congress has been reduced by 90% compared to the previous three years. As a result, the secondary market values of commemoratives issued since 1995 are the highest in the program’s history.

### Making the Mint a Modern Manufacturing Organization

The United States remains the only nation in the world that mints its lowest denomination coin for less than face value, and year after year the United States Mint makes more coins than the next five largest mints combined. In the last two years we have greatly increased our production efficiency through an aggressive capital improvement plan, with large investments in plant and equipment; communications and information systems, and environmental, health, and safety. From 1994 to 1996, our Capital expenditures averaged \$12 million a year; for 1997 to 2001 annual capital expenditures will average \$50 million.

Some of the advances that the Mint has made are:

### Productivity Gains

In the last 5 years the Mint has: reduced our impact on the environment by completing several major energy and water conservation projects; reduced raw material usage by realigning our blanking dies; increased our capacity by 12.5% by installing new annealing furnaces and high speed blanking and coining presses in Philadelphia and Denver; and opened a new die shop in Denver reducing shipping costs and increasing our die-making capabilities in preparation for the 50 State Quarters program and the new dollar coin. These projects, and others, have combined to save the Mint well over \$3 million dollars a year.

### Information Technology & Telecommunications

In the last two years we have increased our average annual information technology investment by approximately \$9 million. This investment has allowed for the implementation of COINS, which will give the Mint the ability to get reliable data in a timely manner in order to make sound business decisions.

In the last two years the Mint has increased our investment in our communications infrastructure by \$3 million a year. Our telephone systems are now state-of-the-art, allowing us to better serve our customers, and the introduction of teleconferencing has saved the Mint thousands of dollars in travel costs.

### Workplace Safety

In the last five years we have installed sound enclosures on virtually all of our coining presses to reduce the risk of hearing damage, invested in ergonomic improvements for our workers to reduce repetitive motion injuries associated with manually intensive processes, and we are upgrading the fire prevention systems Mint-wide. Our investments in workplace safety have resulting in a 44% reduction in OSHA recordable incidents since 1993.

Our employee development program is part of our initiative to win the “War for Talent” that all private sector companies and government agencies face. We strive to ensure that our employees are highly trained and motivated, and that they are among the best, not only in government, but in the private sector as well. Over the last five years the Mint has greatly increased our commitment to workforce development, and whether it be a classroom or on the job training, the Mint is committed to supporting the growth of our employees’ capabilities. In 1993, we invested \$311,000 in training and development of employees, about \$140 per employee; in 1998 we invested over \$2 million, about \$1000 per employee.

Five years ago the Mint had ten political appointees, with the support of this committee today we have one. I don’t know how many PAS positions have been eliminated government-wide in the past 5 years, Mr. Chairman, but I’d be surprised if the Mint doesn’t account for more than half of them.

These accomplishments have been critical in bringing the Mint to where we are today, but I believe one of our finest accomplishments was the way in which we achieved them. The Mint embraced the Government Performance Results Act in 1994 as an early pilot agency, and since then has initiated many of our signature achievements through our strategic planning process. One of the highlights of our 1999 strategic plan is a message to all Mint employees signed by myself and Greg Wikberg, President of the American Federation of Government Employees, National Mint Council. I don’t know of another Federal agency that has worked so closely with its union in developing a strong partnership, including their full participation in developing strategic plans. Customer Service and Expansion of our Markets The driving force behind all these changes is a firm understanding of the requirements of our customers. Whether the customer be the Los Angeles Federal Reserve Bank, a mother of three in Massachusetts who loves Kennedy half dollars, or a platinum bullion investor in Tokyo, the Mint is dedicated to providing products and services to our customers that are second to none.

As I mentioned earlier in my testimony, the Federal Reserve Banks, our major customer for circulating coinage, consistently give the Mint high marks in the area of customer service. The same holds true for our numismatic customers. In the 1997 American Customer Satisfaction Index Study, conducted by University of Michigan Business School, the United States Mint scored an eighty-six on a scale of 100, second only to Mercedes Benz among 200 top ranked corporate nameplates, and the highest rating ever awarded to a government agency.

One of the steps we are taking in order to expand our customer base is to improve upon the artistic quality of our coins. Two examples of this initiative are the involvement of Tiffany and Company in the design of the Dolley Madison Commemorative Coin and our invitation to nineteen renowned private artists to participate in the design of the new one dollar coin, depicting Sacagawea.

The launch of the 50 State Quarters program offers a unique opportunity to expand our customer base. This program encourages children and their families to collect memorable tokens representative of their home states, and of all fifty states, for the face value of the coins. We believe that this program can open the doors to new numismatic markets, while at the same time, providing lessons to our youth about the history of the United States of America.

#### Where Are We Today

In my testimony before this Subcommittee last March I spoke about five crucial initiatives for 1998. These initiatives were the 50 State Quarters program, the new dollar coin, the Mint’s reorganization, Year 2000 compliance, and the implementation of our Consolidated Information System, which we refer to as COINS. Today I would like to report on the progress on these initiatives.

#### 50 State Quarters Program

This program is without doubt the most ambitious numismatic program the Mint has ever undertaken. The release of the Delaware quarter has been met with great enthusiasm by numismatists and the general public alike. Two days ago our facilities in Philadelphia and Denver began production of the Pennsylvania quarter, which will be released to the Federal Reserve Banks in early March. Rounding out the 1999-quarter series will be the quarters for New Jersey, Georgia, and Connecticut, which will be released in May, August, and October, respectively. In concert with the Governor’s Office in each state, work is now underway on the designs for the five year-2000 quarters honoring Massachusetts, Maryland, South Carolina, New Hampshire, and Virginia.

#### New Dollar Coin

Currently, the net payout rate of Susan B. Anthony dollars from government inventories shows that by early 2000, the inventory of these dollar coins will be depleted. In December of 1997, President Clinton signed into law the United States Dollar Coin Act, authorizing the U.S. Mint to produce a new dollar coin to replace the Susan B. Anthony. This new coin will be golden in color, have a distinctive edge discernible from other coins by touch, have the same diameter as the Susan B.

Anthony dollar, and have an obverse bearing a design representing Sacagawea and a reverse design depicting an eagle. The alloy development process for this new coin is nearing completion, developmental coins have been cut and are being tested, and we anticipate a final selection by the end of March. Additionally, we are in the final stages of awarding a contract for the marketing plan that will ensure that the new coin is recognized and more widely used by American business and the American public. The Mint is planning on beginning production of the new dollar coin in the first quarter of fiscal year 2000, and we are anticipating that the coin will be ready for release in early 2000. In the third quarter of this fiscal year, we will make our final decision on whether or not we will need to mint 1999 dated Susan B. Anthony's to meet dollar coin demand before the new dollar coin is available.

## Reorganization

In 1998 the Mint completed a major management restructuring by reorganizing into three Strategic Business Units or SBU's: Circulating Coinage, Numismatics, and Protection. This reorganization has allowed the Mint to see each of our activities, not merely as distinct missions of a federal agency but as separate businesses, each with its own customer requirements, product lines, facilities, personnel, strategies, and performance goals. While any major reorganization is difficult to manage, we are already starting to see the benefits of this change, and I am confident that this structure will better equip the Mint to face the challenges of the coming years.

## Year 2000 Compliance & COINS

I am pleased to announce that all of the Mint's critical operating systems are Year 2000 (Y2K) Compliant. A major part of becoming fully Y2K compliant was the implementation of COINS. By launching COINS, the Mint became the first, and we believe still the only, government agency to implement such a comprehensive enterprise resource planning system. We implemented this system in one year where the industry standard is twenty-four months or longer. COINS now provides the Mint accurate, timely, comprehensive, enterprise-wide data upon which we can make sound business decisions. As with any major operating system change, the Mint is still adjusting to COINS, and we are still in the process of ensuring that our utilization of COINS stays on track with the business objectives that it was designed to achieve.

## The Challenges Ahead

The simple answer to the question of "where are we going?" is: to the intersection of 9th St. and H St. in Northwest Washington, D.C. In November we are planning to move into our new headquarters building. The building is state-of-the-art from foundation to rooftop, will incorporate a high-tech energy management system, and utilize floor tile made from recycled U.S. paper currency. The new Mint Headquarters will reinforce our new strategic business unit structure by expanding the floor plates of the building, supporting our horizontal cross functional operations rather than the narrow and vertical structure more closely associated with our prior stovepipe organization.

We are very pleased that in 1999 we finally will be able to harvest the seeds we planted and worked hard to nurture over the last five years. The major activities in the next two to three years will focus on the stabilization of the major projects that we have embarked on including, but not limited to, the Fifty State Quarters program, the new dollar coin, seeing our five year capital improvement project to fruition, and COINS.

While the coming years may not hold any major new initiatives, rest assured that the Mint will not be idle during this time. We are committed to continuing to focus on our customers' needs, pursue continuous improvement in the quality of our products, operate safely and conscientiously, and honor our environmental and social responsibilities in the communities in which we work and live. We promise to continue to provide our customers excellent products and exceptional service and we are committed to leading the way in making Government more efficient, effective, and responsive. We will do all of this and more while continuing to make a profit for the American People.

Once again I thank you for the opportunity to appear before you today, and I will be happy to answer any questions you may have.

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